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THE LIVESTOCK SITUATION . . .

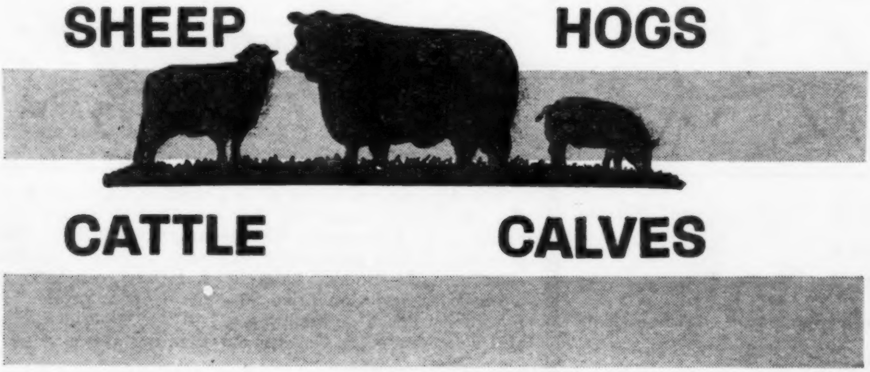
CATTLE, HOG, AND SHEEP PRICES TO BE ABOVE LAST YEAR

Present indications point toward smaller supplies of pork and lamb than a year earlier with correspondingly higher prices for hogs and sheep. Slaughter supplies of cattle are expected to continue large, but prices are expected to average moderately above year earlier levels at least through midyear. Here's the situation:

Hog slaughter was down slightly in 1964 and prices averaged about the same as in 1963—$15.30, barrows and gilts at eight markets. Although slaughter was down about 1 percent from a year earlier, heavier marketing weights throughout the year resulted in a little more than a 1 percent increase in pork production.

Hog marketings likely will be smaller in 1965 and prices likely will average moderately higher than in 1964. Although feed prices this year probably will be up somewhat from 1946, hog producers should find 1965 a more profitable year.

With decreases in 1964 spring and fall pig crops of 6 and 8 percent, respectively, the number of pigs saved was 88.4 million—7 percent below the 1963 figure. As in 1963, the proportion of the annual pig crop produced in the fall was reduced slightly in 1964. This was in contrast to a previous long-term



trend to more fall farrowings. If the pattern of the past two years continues, seasonal price variations will increase. Farrowings still are concentrated in March–April and August–September, but to a lesser degree than in earlier years.

The 1964 fall pig crop totaled 40.5 million head, 8 percent fewer than year earlier and the smallest June–November pig crop since 1957.

The average market weight of hogs remained substantially above year-earlier levels through the first 11 months of 1964. Hog weights declined in December in contrast to the usual seasonal pattern of heavier marketing weights, but were at the same level as a year earlier.

Market weights this winter likely will remain near the 1964 level of 234 pounds. However, lower slaughter rates would tend to reduce the price discounts for heavy weights.

Producers reported intentions to have 6.2 million sows farrow during December 1964–May 1965. A spring pig crop of about 44.5 million head is in prospect. This would be 7 percent smaller than the 1964 crop and the smallest spring pig crop since 1937.

Producers in all regions plan to reduce 1965 spring farrowings. The sharpest reductions are planned in the Western and North Atlantic regions, down 12 and 11 percent. The East and West North Central States planned reductions of 7 percent.

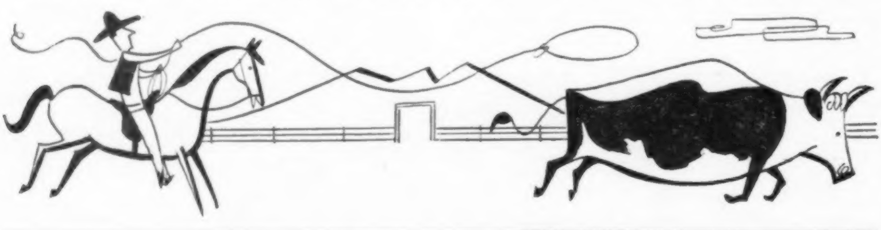
The June–November 1964 pig crop was down 8 percent from a year earlier, as a result hog slaughter this winter and spring likely will be down 5 to 10 percent from last year. Prices likely will average at least moderately above the January–June 1964 average of $14.78.

Hog prices during the first quarter of 1965 likely will average moderately above the January–March 1964 average of $14.60. Early spring prices probably will show a slight seasonal weakness but remain above year-earlier levels. However, prices likely will show renewed strength during May and June and go to a substantially higher peak this summer than last year. Hog slaughter probably will stay below 1964 levels next summer and fall and hog prices should average moderately above year earlier averages.

Fed cattle marketings likely will continue large this winter and spring but slightly below the record levels of 1964. Lighter marketing weights than a year earlier will probably lower the supply of fed beef more than the expected decline in number marketed. Fed cattle marketed this winter likely will show reasonable returns to cattle feeders, in contrast to the losses early in 1964.

Cattle placed on feed this winter and spring will probably be of lighter average weights than last year and therefore require a longer time on feed than a year earlier. Thus, the trend toward placing a larger proportion of weight on cattle in feedlots apparently will be resumed.

Choice breeder cattle (500–800 pounds) at Kansas City averaged $21.13



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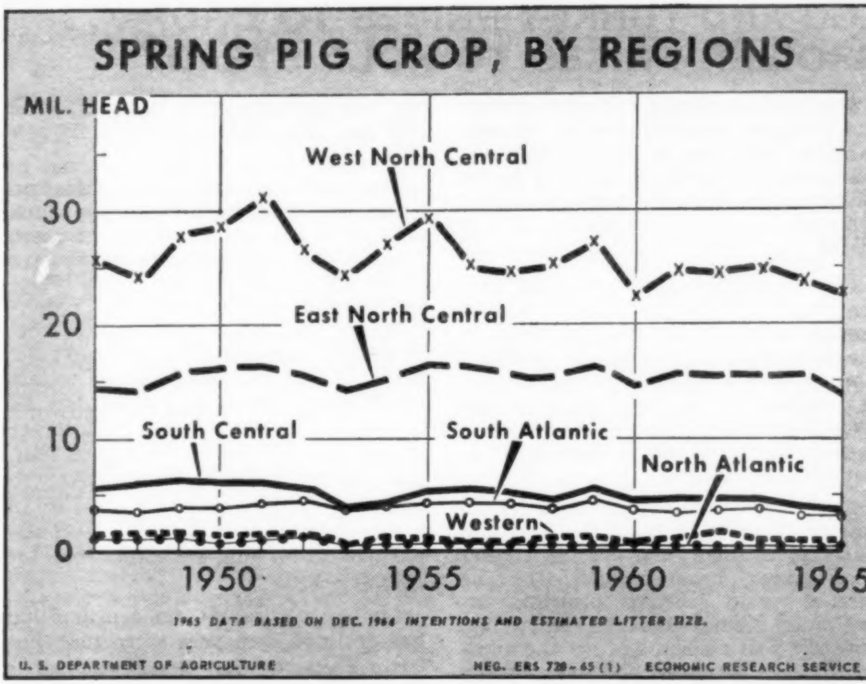


during October–December 1964—$2.86 below a year earlier. There has been little change so far in 1965.

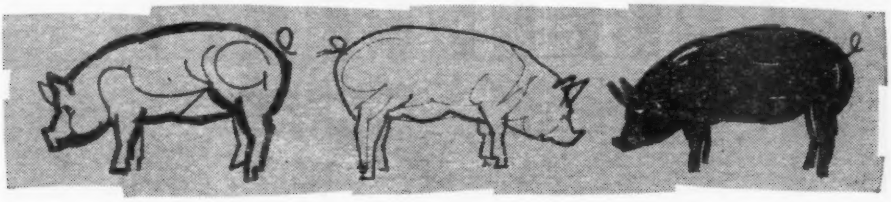
Cow slaughter likely will average above year-earlier levels this winter and cow prices probably will show a modest seasonal rise, but still average a little below the January–March 1964 average of $13.76 (utility cows at Chicago).

On the first of this year there were 3.3 million sheep and lambs on feed in 26 States. This was 9 percent below a year earlier and the smallest inventory since records have been kept. The sheep and lambs on feed on January 1 provide most of the slaughter supplies during the first quarter. Since 1961, commercial slaughter during the first quarter has averaged about 95 percent of the number on feed at the beginning of the year. If this relationship continues during 1965, slaughter supplies in the first quarter likely will be down 10 to 15 percent from January–March 1964.

In view of the prospective decline in slaughter supplies, slaughter lamb prices in the first quarter likely will average moderately above the year-earlier average of $20.20 (choice lambs, Denver). The expected smaller lamb crop in 1965 will make for smaller slaughter supplies through the rest of the year, and prices likely will continue higher than a year earlier.

Meat imports in 1965 are expected to remain near last year's levels. Imports of fresh, chilled, or frozen cattle meat, and meat of goats, and sheep, other than lambs, are expected to total about 733 million pounds (product weight).

Robert L. Rizek
Economic Research Service



EGG AND TURKEY PRICES TO DROP . . . BROILER PRICES TO HOLD STEADY

The egg and turkey outlook for 1965 is for larger production with accompanying lower prices. Broiler production probably will be up, too, but prices may average about the same as in 1964.

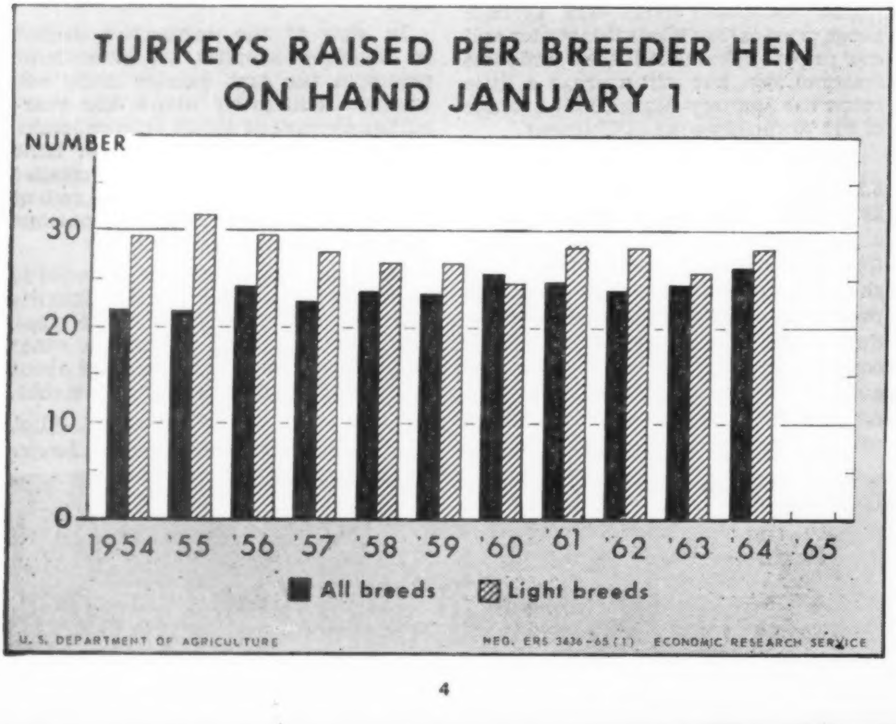
EGGS

Egg production in January of this year was 4 percent above a year earlier because of a weather-induced spurt in the rate of lay. However, egg production in the rest of the first half of this year is likely to fall back closer to the 1964 level because this exceptional year-to-year improvement in rate of lay is not likely to continue.

The number of eggs per layer in the rest of the first half of the year are likely to average only slightly higher than a year earlier because: (1) The rate of lay in February probably was not much greater than the record high rate of a year earlier, and (2) the number of eggs produced per layer usually increases very little from year-to-year in the spring. With small increases in the number of layers and the rate of lay, egg production in January–June 1965 may be up about 2 percent above a year earlier.

The number of eggs in incubators on February 1 this year for egg-type chick production was up 11 percent from a year earlier. However, because egg prices have been lower than year-earlier levels since August 1964, hatchings in the main hatching season, March–May, are not expected to expand much, if any, but remain close to last year's levels. Even so, this would tend to keep the Nation's laying flock larger than a year earlier in the second half. Because the rate of lay is also likely to rise after midyear, a larger increase in egg production over the 1964 level appears likely for July–December than for January–June.

Civilian per capita egg consumption has declined each year since 1951, but there are signs that the downtrend is losing momentum. This slowing in the downtrend appears to have stemmed from larger production and lower



prices. It does not seem to indicate any increase in per capita demand.

Consumers tend to use all the eggs produced within a year. Because there is essentially no change in carryover stocks of eggs from year-to-year, nor in exports, production determines consumption; price becomes the variable that changes in the market-clearing process.

In 1965, production is expected to increase more than population, thus interrupting the 13-year decline in per capita egg consumption. However, price concessions are likely to occur in moving these expected larger supplies into consumption.

In February 1965, U.S. farm egg prices averaged 30.6 cents per dozen compared with 30.9 cents in January and 34.9 cents in February 1964.

Although egg production is increasing seasonally, it probably will not be in excess of current consumption until the second quarter when the buildup in storage stocks usually begins. During this period, prices will be declining seasonally to the low point for the year. Springtime egg prices, however, are likely to be down from a year earlier by a smaller margin than in February. After mid-1965, egg prices again may average much under the 1964 level because egg production in July–December 1965 is likely to be up substantially from a year earlier.

BROILERS

The 18-year uptrend in broiler production is continuing in 1965. The increase for the year is likely to be about 3 to 5 percent. Broiler production in January–March is expected to be up about 2 percent from a year earlier. Supplies probably will increase more in the second quarter.

Broiler prices probably will average higher in the first quarter than a year earlier. However, the expanded level of production in the second quarter may drive prices below the 1964 level despite less competition expected from turkey and pork.

However, production cutbacks in the face of these expected lower broiler prices will be difficult because the size of the Nation's broiler hatchery supply flock is increasing. Consequently, broiler production in the second half may be up from the 1964 level by as much or more as in the first half. Nevertheless, for 1965 as a whole, average broiler prices are likely to average about the same as the 14.2 cents per pound average estimated for 1964. Prices probably will be maintained in the face of larger output by a stronger demand.

TURKEYS

Changes in the turkey situation since early November have somewhat altered the production outlook for 1965. The 1965 turkey crop is still expected to be larger than in 1964 but the increase is not likely to exceed the 5 percent predicted earlier.

The domestic demand for turkeys from commercial sources will probably be stronger in 1965 than last year, particularly in the first half of the year.

Population will continue its steady uptrend and competition from red meat in 1965 probably will not be as keen as in the previous year. Furthermore, broiler production is likely to increase only a little. This generally optimistic demand outlook may be tempered, however, by reduced USDA purchases and exports, both of which were record large last year. However, unless USDA purchases and exports are greatly reduced, overall demand will probably be at least as great in 1965 as in 1964.

The recent price strength in turkeys likely will carry through the first half of 1965 because of a strong demand and because turkey supplies during this period will probably be smaller than a year earlier. Prices to producers during this period are likely to average above a year earlier. However, the price strength early this year will materially benefit only those producers with turkeys to sell in this period of seasonally small marketings.

Turkey prices in the second half of the year—when most of the crop is marketed—will probably be lower than in the first half but could be about as high as the last half of 1964, if the number of turkeys raised does not increase by more than 1 or 2 percent.

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LIVESTOCK AND POULTRY INVENTORY FOR JAN. 1

There was a record 107.2 million cattle and calves on U.S. farms on January 1, slightly more than a year earlier. A decline of 3 percent in the number of milk animals was more than offset by an increase in beef-type cattle.

The number of milk cows and heifers 2 years old and older decreased 3 percent to 17.6 million head—the smallest number since 1904. The inventory of beef cows increased 3 percent, while the number of steers 1 year old and older declined 5 percent.

On the first of the year the number of hogs and pigs on farms was 53.1 million head, a decline of 9 percent. Sheep and lambs dropped 5 percent to the smallest inventory on record—26.7 million head. The number of chickens on farms increased 2 percent during last year to 376.7 million and the number of turkeys increased 4 percent to 6.5 million.

The total value of all livestock and poultry on farms and ranches on January 1, 1965, was $14.4 billion, down 9 percent from a year earlier. The aggregate value of livestock (cattle, sheep, and hogs) was $13,959 million, 9 percent below a year earlier.

The value of all cattle dropped 10 percent during the year to $12,215 million and the value of hogs and pigs on farms declined 3 percent to $1,318 million.

The value of all sheep, $425 million, was 7 percent above a year earlier, and the value of turkeys, at $28.4 million, was up 6 percent.

The January 1, 1965, index of livestock and poultry numbers on farms and ranches dropped 1 point from a year earlier to 111. The index of numbers of meat animals (cattle, hogs, and sheep) on farms declined 1 point during the year. The index of milk cattle (milk cows, heifers and calves) fell 3 percent, but the poultry index increased 2 points.

For cattle and calves, the number was below a year earlier in 23 States but 21 States had more on hand than on January 1, 1964. Six States showed no change. Montana and South Dakota had gains of 5 percent each. New Mexico showed the sharpest drop, 12 percent.

Regionally, the North Atlantic was down 2 percent, and the East North Central was down 1 percent. The West North Central, South Atlantic, and South Central showed 1 percent increases. The Western region increased slightly.

Commercial cattle slaughter for the 48 States during 1964 totaled 30,777,600 head, up 13 percent from the year before. Calf slaughter, at 7,227,000 head, increased 6 percent.

The number of hogs and pigs in the Corn Belt decreased 8 percent from a year earlier to 41,960,000 head. Iowa, the leading hog-producing State, dropped 5 percent. The number of hogs on hand in the North Atlantic and South Atlantic was down 10 percent in each region. The South Central region dropped 13 percent and the Western region dropped 12 percent.

The number of stock sheep declined for the fifth consecutive year. At the beginning of this year the number of stock sheep was 23,341,000 head, a decline of 4 percent from a year earlier and the smallest number on record since 1867. The number of sheep and lambs on feed for slaughter totaled 3,327,000 head, a decline of 9 percent and the lowest number since 1918. The total of stock sheep and sheep and lambs being fed was 26,688,000 head—a reduction of 5 percent from a year earlier.

The number of stock sheep in the 11 Western States plus Texas and South Dakota totaled 16,769,000 head, down 4 percent from 1964.

Decreases were New Mexico, 11 percent; South Dakota, 8 percent; Texas, 7 percent; Colorado, 3 percent; Washington, Oregon, and Montana, each 5 percent; Wyoming, 2 percent; and California, 1 percent. Increases were 5 percent in Arizona, and 1 percent in

both Utah and Nevada. Idaho was unchanged.

Stock sheep in the 35 native States totaled 6,552,000 head, down 4 percent and ewes 1 year old and older were also down 4 percent. The January 1, 1965 value of stock sheep on farms and ranches totaled $370 million, 8 percent more than a year earlier.

The number of chickens on farms on January 1 was 376,714,000, an increase of 2 percent from a year earlier. The number of chickens was up 6 percent in both the South Atlantic and South Central States, and up 4 percent in the West. The West North Central States decreased 5 percent and the North Atlantic dropped 2 percent. The East North Central was unchanged.

The pullet flock on the Nation's farms increased 3 percent to 222,711,000 birds. Increases were 9 percent in the South Atlantic and South Central, 4 percent in the West, and 3 percent in the East North Central. Decreases were 4 percent in the West North Central and 3 percent in the North Atlantic States.

The number of turkeys (excluding turkey fryers) on hand was 6,471,000 birds, 4 percent more than on January 1, 1964. The number of turkey hens increased 1 percent to 3,835,000.

The Nation's heavy breeder hen flock totaled 3,410,000 birds, 1 percent more than on January 1, 1964. The number was 4 percent higher in the West North Central, 6 percent higher in the South Atlantic, and 3 percent higher in the Western States. Decreases were North Atlantic, 14 percent; East North Central, 8 percent; and South Central, 2 percent.

Light breeder hens totaled 425,000 birds, 5 percent more than a year earlier. Regionally, increases were 68 percent in the South Central, 18 percent in the South Atlantic, 3 percent in the East North Central, and 2 percent in the Western States. The North Atlantic region was unchanged but there was a drop of 13 percent in the West North Central States.

The January 1, 1965 value of all turkeys on farms was $28,418,000 compared with $26,714,000 a year earlier. The average value per turkey on hand was $4.39 compared with $4.28 a year earlier.

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1964 Calf Crop Up 3 Percent

The 1964 calf crop for the United States totaled 42,989,000 head, 3 percent more than that of the previous year, and the sixth consecutive year that the crop has increased.

The increase over 1963 was primarily the result of more cows and heifers on farms—49,899,000 2 years old and older on January 1, 1964, compared with 48,649,000 a year earlier.

In the North Central States, nine States had larger calf crops and three had smaller crops than in 1963. North Dakota, South Dakota, and Nebraska, each up 7 percent, showed the largest increases. Ohio showed the sharpest decrease, 3 percent.

Of the eight South Atlantic States, four had larger calf crops, three had smaller crops, and one was unchanged. All the South Central States had larger calf crops than in 1963. Louisiana, up 5 percent, showed the largest increase, and Texas, the largest cattle State in the Nation, was up 3 percent.

All of the 11 Western States had larger calf crops in 1964 than in the previous year. Major increases were: Arizona, 7 percent; Montana, 6 percent; California, 5 percent; and Colorado, 2 percent. The calf crop was smaller in the North Atlantic States in 1964 than in the previous year.

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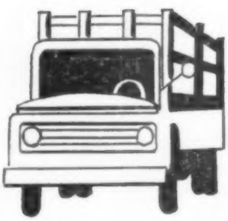
Statistical Reporting Service

outlook

Based on Information Available on March 4, 1965



VEGETABLE MARKETINGS

Production of tender vegetables for fresh market will be relatively light into late March. This year, like last, mid-January freezes in Florida heavily damaged snap beans, sweet corn, cucumbers, peppers, and tomatoes. Thus, prices of these items likely will average close to the high year-earlier levels.

FOOD

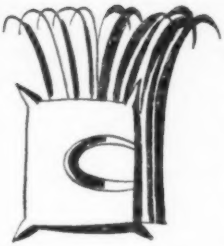
Because food prices and consumption per capita are expected to be little changed this year, total food expenditures are expected to rise only modestly. The gain will mainly be the result of population gains and increased services, particularly for restaurant meals. As usual, food expenditures are not expected to rise as rapidly as incomes, so the percentage of disposable income spent for food likely will drop another notch this year—to approximately 18 percent.

FRUIT

Because of heavier crops in Florida and Texas, supplies of fresh and processed citrus fruit are expected to be much larger during the first half of 1965 than last year. The mid-January freeze this year probably did little damage to the Florida citrus crop.

RICE

The use of rice for food in the United States during 1964–65 is expected to continue its long uptrend. Consumption is currently estimated at 23.2 million hundred-



weight, a little higher than last season and well above the 1957–61 average of 20.2 million hundredweight. U.S. exports of rice in 1964–65 are estimated at 41.5 million hundredweight (rough basis), fractionally larger than the record 41.4 million in 1963–64. However, because of the record 1964 rice crop, carryover on August 1, 1965, is expected to be approximately 9.7 million hundredweight. This would be the largest carryover since August 1, 1961, but would be well below the 1957–61 average carryover of 12.3 million hundredweight.

NEW TO THE INDUSTRY . . . BEEF CATTLE FUTURES

Establishment of trading in beef cattle futures by the Chicago Mercantile Exchange on November 30, 1964 adds a new aspect to the already dynamic beef industry. Contract trading was established for delivery in the months of April, June, August, and October 1965. In January, trading was started for December 1965 deliveries. In addition, the Chicago Mercantile Exchange initiated trading in dressed beef futures on February 15.

The cattle futures contract calls for delivery and acceptance of 25,000 pounds of Choice steers—approximately 25 head weighing 1,000 to 1,150 pounds with yield requirements of 61 percent or 1,151 to 13,000 pounds with an estimated yield requirement of 62 percent. Discounts in tolerances are provided for including substitutions in estimated grade, weight, dressing percentage, fat thickness, and other details. Contracts call for delivery at approved livestock yards in Chicago or Omaha. In actual practice, it is unlikely that delivery and fulfillment of any large percentage of the contracts will occur.

Futures trading has been carried on in the grain trade for many years and in pork bellies since 1961. It is asserted that the futures market tends to stabilize prices in commodity cash markets and hedging provides a means of price protection. The use of hedging should make it possible to obtain credit more easily, as banks and other lending agencies are more likely to advance credit against hedged inventories than against unhedged inventories. The futures market also provides a way for the cattle feeder to shift the risk of price changes to others in the trade or to speculators who assume the risk in expectation that they will make a profit when the transaction is completed.

Cattlemen have shown keen interest in this new development. However, the use of futures trading as a hedge will probably be limited largely to cattle feeders. People in other processing and distribution phases of the cattle and beef industry may use futures, but primarily for speculative purposes rather than for hedging against a price decline.

Cow-calf operators will probably use futures trading only to a limited extent for hedging purposes. Although feeder cattle prices do respond in a general way to current changes in fed cattle prices, feeder prices move through much wider swings. They are more directly influenced by outside factors such as weather, drought, etc. In addition, the cow-calf producer ordinarily does not have cattle in the form of the finished product required by the contract. Thus, futures trading would provide only an indirect and imperfect hedge for a cow-calf operator.

In considering the possible advantages of hedging by trading on the beef futures market it is also necessary to consider some of the limitations. Sev-

eral factors which may affect the overall price protection against adverse price movements are:

(1) The cash market and the various future delivery months may not necessarily advance or decline by exactly the same amount.

(2) The cost associated with futures trading and increased capital requirements. With current price levels and terms of trade, capital requirements, for a feeder buying steers to feed out, would be increased approximately 10–12 percent for each steer traded on the futures market. The minimum initial margin is $500 per contract, while the round turn commission is $36 per contract.

(3) The grade being hedged may be different than the futures contract grade.

(4) Location of the feeder who is hedging with relation to the delivery points of Chicago and Omaha.

(5) Cattle feeders who hedge their operations by selling futures at the time they place fresh supplies of feeder cattle on feed may protect themselves against possible price declines several months later. At the same time, they accept the profit margin set at the time the hedge is placed, and forgo any financial gains which may occur from subsequent price rises.

Considerable interest has been shown in the beef cattle futures trading, and Exchange officials indicated that live beef cattle got off to the best start of any commodity ever traded on the Exchange. However, it will take several months to determine whether there will be sufficient activity on the Exchange to assure success.

From initiation of cattle futures trading on November 30 through March 3, an average of 63 contracts were traded daily. However, at the close of trading on March 3, only 1,886 contracts were in effect. Of these, 655 were for April, 483 for June, 362 for August, 322 for October, and 54 for December. Contracts for April delivery represent 16,375 steers, slightly more than 1 percent of FI steer slaughter in April 1964.

Additional information on futures trading in beef may be found in a special article in the January 1965 issue of the Livestock and Meat Situation, available from: Editor, The Agricultural Situation, U.S. Department of Agriculture, Washington, D.C., 20250. Copies of the complete contract for cattle futures are available from various brokers and firms having membership on the Chicago Mercantile Exchange.

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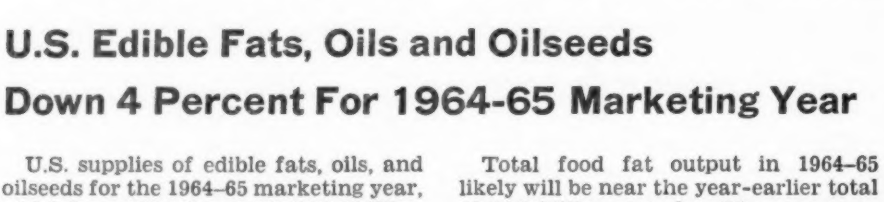

U.S. Edible Fats, Oils and Oilseeds Down 4 Percent For 1964-65 Marketing Year

U.S. supplies of edible fats, oils, and oilseeds for the 1964–65 marketing year, which began October 1, total 16.4 billion pounds (in terms of oil). A year earlier the supply totaled a record 17.0 billion pounds. The 4 percent decline is the result of the sharp drop in beginning stocks of butter and vegetable oils.

Total food fat output in 1964–65 likely will be near the year-earlier total of 14.6 billion pounds. Disappearance is expected to rise slightly, mainly because of exports that are expected to reach a new high. The result would be reduced carryover stocks of all edible fats and oils to about 1.3 billion pounds

(including oil equivalent of soybeans, shortening, and cooking and salad oils) next October 1. Year-earlier carryover totaled nearly 2.0 billion pounds. The prospective reduction is mainly in cottonseed and soybean oils and soybeans.

Exports of edible fats and oils for the current marketing year are estimated at 5.3 billion pounds (including the oil equivalent of soybeans), up 6 percent from the 1963–64 peak of 5.0 billion pounds. Record exports of edible vegetable oils and soybeans are expected to offset a sharp reduction in butter shipments.

The main factors pointing to a banner export year for U.S. food fats and oils include:

- Substantially smaller olive oil production in the Mediterranean Basin countries (about one-third less than in 1963–64).
- Expanding dollar demand for United States soybeans in Western Europe, Japan, and Canada, for use as meal in animal feed, and as edible oil in food products.
- Heavier shipments of edible vegetable oils under the Food for Peace Program (P.L. 480), especially under Title III, barter, and foreign donation.
- Expanding world demand for oilseeds and products with some depletion of stocks resulting from normal growth in consumption requirements and less than normal increases in production in the past 2 years.

The 1964–65 supply of soybeans is estimated at 732 million bushels compared with 714 million last year. The increase is attributed to larger starting stocks on October 1, 1964. Soybean crushings are expected to total approximately 470 million bushels compared with 441 million in 1963–64. After an allowance for seed, feed, and loss, carryout stocks of old-crop soybeans on September 30, 1965, are expected to be low—about 10 million bushels compared with 32 million a year earlier.

Crusher demand is greater this marketing year than last because (1) soybean oil stocks are down sharply; (2) domestic disappearance and exports of both soybean oil and meal are up significantly; (3) soybean oil prices are averaging higher by a third; and (4) processing margins are averaging above last year's relatively low level.

Soybean prices to farmers during October 1964–January 1965 averaged $2.64 per bushel, about the same as a year earlier and 39 cents above the 1964 soybean support rate of $2.25. Prices during the balance of the marketing year are expected to remain strong, averaging well above the $2.43 received during February–September 1964. The price strength reflects increased export and crusher demand for beans that is running well ahead of 1963–64. This use has reduced soybean supplies below year-earlier levels.

Cottonseed oil supplies during the marketing year that started August 1, 1964, are 2.6 billion pounds, up 5 percent from the previous year and the largest in a decade. Domestic disappearance is estimated at 1.5 billion pounds and exports are expected to total 0.7 billion, both well above year-earlier levels. Cottonseed oil prices (crude, Valley) generally moved upward from 10.3 cents per pound last August to 12.4 cents this January. Average prices for the 6-month period were 11.2 cents or about 1.4 cents above prices a year earlier. The seasonal peak in cotton oil output has now passed and prices probably will remain firm or possibly increase.

Lard supplies in the marketing year that began October 1, 1964, are approximately 2.4 billion pounds, 6 percent below the previous marketing year and the smallest since 1953. Domestic disappearance is estimated at 1,675 million pounds, and exports at 675 million. Lard prices (loose, Chicago) during October 1964–January 1965 averaged 11.1 cents per pound, up about 2 cents from a year earlier. A price rise over the rest of the marketing year is in prospect. During the next few months, winter and spring hog slaughter supplies likely will be down 5 to 10 percent from year-earlier levels and lard production will be correspondingly reduced.

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THE FEED SITUATION . . . CARRYOVER TO DECREASE

Supplies of feed concentrates are at the lowest levels in 6 years. The 1964–65 marketing year supply is estimated at 239 million tons, 14 million tons less than in 1963–64. The small supply is entirely the result of the decrease in feed grain production in 1964.

Feed grain supplies in 1964–65 are estimated at 206 million tons, the smallest since 1958. Production dropped to 137 million tons in 1964, nearly 20 million tons below the record 1963 crop.

Feed grains fed to livestock this year may be down slightly from 1963–64 for three reasons. Fewer livestock are likely to be fed, feed grain prices are higher than in 1963–64, and more wheat and byproduct feeds are expected to be available for feeding.

With a small increase in feed grains used for food and industrial purposes, and exports near the 1963–64 level, utilization of feed grains would total approximately 150 million tons. This would leave a carryover into 1965–66 of 56 million tons, 13 million below the carryover into the current marketing year.

Exports of feed grains in the first quarter of the 1964–65 marketing year (October–December, 1964) totaled 5.5 million tons, slightly below the all-time high of 5.6 million tons in the same quarter a year earlier. Exports dropped sharply in January because of the Gulf and Eastern shore dock strike. Much of the loss of exports is expected to be made up when the strike ends. Feed grain exports for 1964–65 are expected to about equal the 1963–64 total of nearly 19 million tons.

Stocks of the four feed grains—corn, sorghum, barley, and oats—totaled 155.3 million tons on January 1, down 10 percent from a year earlier. The decline is a continuation of the general downtrend begun in 1961.

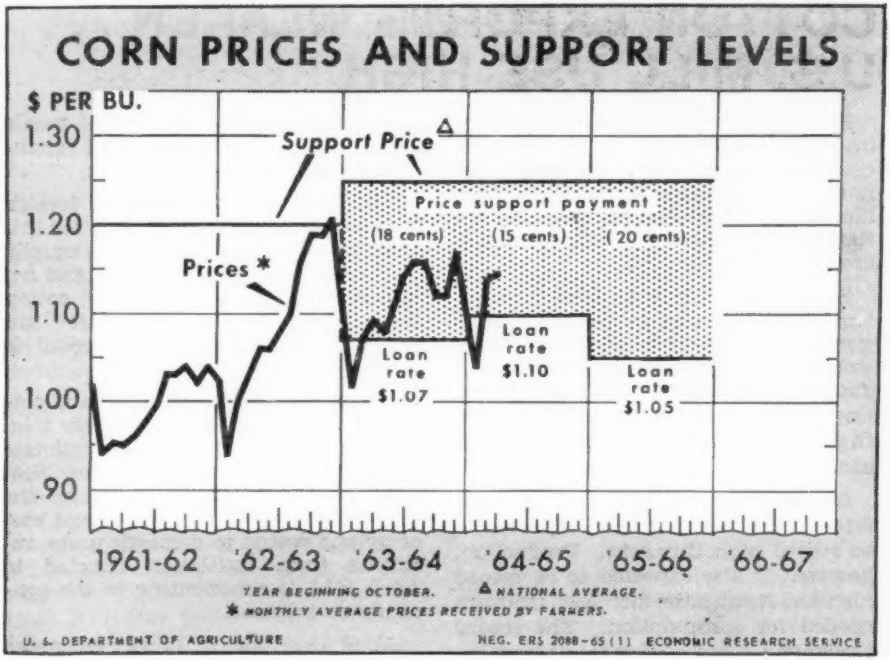
Stocks of feed grains under loan and owned by the Commodity Credit Corporation were equal to those of a year earlier. All of the reduction was in "free" stocks. Smaller free stocks are expected to result in a tightening of feed grain supplies this spring and summer, requiring a larger withdrawal from stocks owned by CCC or under loan than in the same period of 1964.

The 1964–65 corn supply is estimated at 5,060 million bushels, down 7 percent from 1963–64. Total disappearance of corn in 1964–65 is expected to be a little below the high level of the 3 preceding years. Domestic consumption from October to December, 1964, was nearly 10 percent above the relatively low level in that quarter of 1963.

From January to September this year, smaller free supplies, higher corn prices and reduced livestock numbers probably will result in domestic use falling below a year earlier. Based on present indications, domestic use of corn in 1964–65 is expected to total about 3.4 billion bushels, about the same as 1963–64. Exports probably will at least equal the record 500 million bushels exported in 1963–64. This would reduce the carryover of corn on October 1, 1965 to around 1,150 million bushels, about 360 million less than a year earlier.

Largely because of reduced production, the 1964–65 supply of sorghum grain at 1,139 million bushels was the least since 1959. Domestic consumption and exports of sorghum grain during October–December 1964 were smaller than a year earlier. Domestic consumption during 1964–65 may be 10 to 12 percent below the 1963–64 record high level. Exports are expected to continue near the high levels of the last 2 years. Total disappearance is expected to exceed the 1964 crop, reducing carryover next October 1 to about 600 million bushels, 50 million less than a year earlier.

The 1964–65 supply of oats, 1,202 million bushels, was down 4 percent from a year earlier, but domestic use in the last half of 1964 rose slightly. Stocks on January 1, 712 million bushels, were 61 million less than a year earlier and the smallest for that date since 1940. Assuming total disappearance from January to July 1965 will be a little below last year's level, the carryover of oats next July 1 will be down 40 million bushels to an estimated 275 million bushels.



The barley supply for the 1964–65 marketing year is estimated at 552 million bushels, slightly below last year. The 1964 crop of 403 million bushels was 7 percent below average. During July–December 1964, 9 million bushels of barley were imported. Imports for the entire marketing year are expected to be around 15 million bushels. Both domestic use and exports of barley from July to December 1964 were above a year earlier. Smaller supplies and higher barley prices may reduce disappearance from January to June compared to a year earlier. Carryover of barley next July 1 is expected to fall somewhat below the 134 million bushels of a year earlier.

Prices of feed grains are higher this winter than a year ago, mainly because of smaller supplies and higher loan rates for the 1964 crops. From October to January, the index of prices received by farmers for feed grains averaged 4 percent higher than in that period of 1963–64. Principally because of the smaller "free" supply of feed grains, and higher loan rates, some further price strengthening is in prospect.

The price support level for the 1965 corn crop has been announced at $1.25 per bushel, the same as in the past 2 years. The loan rate will be reduced 5 cents from the 1964 level to $1.05 per bushel and the price support payment will be raised from 15 to 20 cents per bushel. Corn prices have been trending generally upward since 1960–61. In 1963–64, they were above the 1963 loan rate of $1.07 per bushel during most of the marketing year. Corn prices have increased sharply again this year from the seasonal low in November, and in January they were 5 cents above the 1964 loan rate. Because of the small "free" supply of corn this year, prices are expected to increase further this spring and summer. The quantity of corn placed under loan and delivered to CCC is expected to be the smallest in recent years.

The quantity of high protein feeds (soybean meal equivalent) available for livestock and poultry feeding in 1964–65 is expected to total about 16.8 million tons. This would be 2 percent above the 16.5 million tons fed in 1963–64. Most of the increase is expected in soybean meal and grain protein feeds. Little change is anticipated in feeding of other oilseed meals and animal proteins.

Malcolm Clough
Economic Research Service

COTTON EXPORTS WEAKEN . . . U.S. MILL USE HIGH

Prospects for U.S. cotton exports during the 1964–65 crop year have weakened in recent months. Shipments are now expected to total about 4.5 million bales—0.7 million below earlier estimates and 1.2 million below the past crop year.

Exports are likely to drop because importing countries abroad have been working down their relatively large stocks of cotton, and near record production in Russia and Mainland China has caused these countries to reduce their imports from foreign free-world countries.

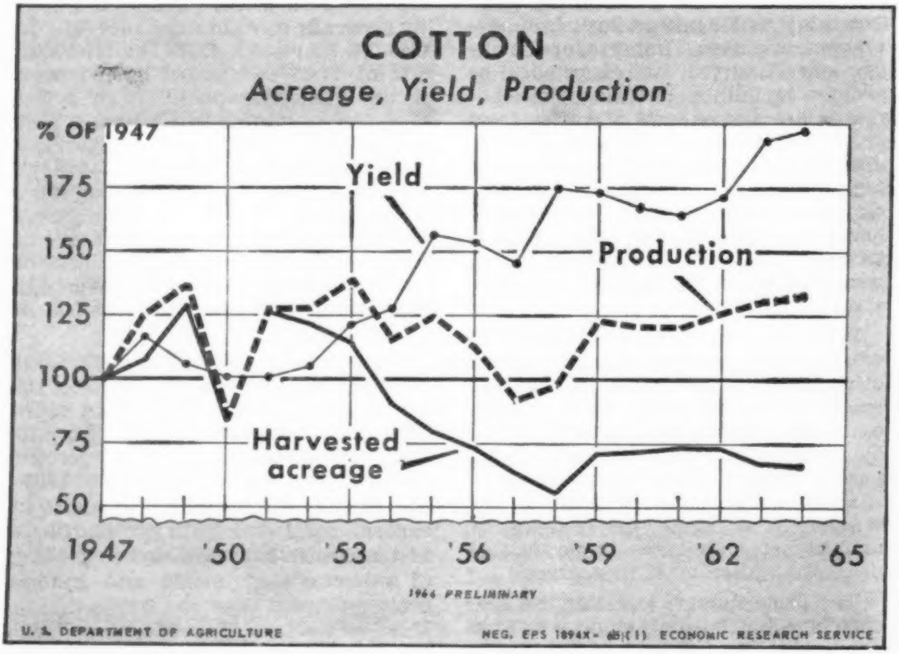
Consumption of cotton in foreign free-world countries is still expected to be record high this year. Production, however, is also expected to be record high and furnish the increased quantity needed for consumption. The record production is expected to result from increases in both acreage and yield.

However, the gain in cotton consumption during 1964–65 is not expected to match the increase in 1963–64 partly because of the continued rapid expansion in use of man-made fibers.

The estimated increase in foreign free-world cotton consumption for this year, about 0.7 million bales, is equally divided between net exporting and net importing countries. Higher cotton textile production rates thus far this season may indicate a new record in 1964–65.

U.S. mill consumption of upland cotton for the 1964–65 crop year may total near 9.6 million bales. This estimate is 1.1 million bales more than that used in the previous season and the highest since 1950–51. Lower net cost of upland cotton to domestic users, resulting from legislation enacted in April 1964, is contributing to the consumption increase.

As of December 1, it was estimated that U.S. growers produced 15.2 million bales of upland cotton—the largest crop since 1953, a year when acreage allotments were not in effect.



Despite increased domestic use, total disappearance in 1964–65 will be less than 1964 production. Thus, the carryover of upland cotton on August 1, 1965, is now expected to total about 13.3 million bales. This would be 1.2 million more than a year earlier and the largest carryover since the alltime high of 14.4 million bales in 1956.

The national acreage allotment for the 1965 U.S. upland cotton crop has again been set at the statutory minimum of 16 million acres. (Acreage planted in excess of individual farm allotments will be subject to a marketing quota penalty.)

The 1965 crop support price for Middling 1-inch cotton has been set at 29 cents per pound, 1 cent less than for the 1964 crop. However, producers who plant within their domestic allotment in 1965 will be eligible to receive the basic price support through loans plus an additional payment of 4.35 cents per pound (the maximum payment permitted under the Agricultural Act of 1964 with a basic price support of 29 cents); the payment for the 1964 crop was 3.50 cents per pound.

The national domestic allotment is 10,425,000 acres, about 65 percent of the 16 million national minimum acreage allotment. Cotton producers who comply with the domestic allotment may grow other cash crops, which include soybeans, flax, and guar, on that part of the effective allotment not planted to cotton. However, the acreage planted to the feed grains may not exceed the grain base.

USDA has announced that export market acreage will not be authorized for the 1965 crop. The Agricultural Act of 1964 provides that when the carryover is in excess of 8 million bales, export market acreage cannot be authorized unless the Secretary of Agriculture determines that the carryover of upland cotton at the end of the marketing year will be at least 1 million bales less than at the beginning of the marketing year. The carryover of upland cotton on August 1, 1966 is not expected to be reduced by the required 1 million bales from August 1, 1965.

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Economic Research Service

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In This Issue

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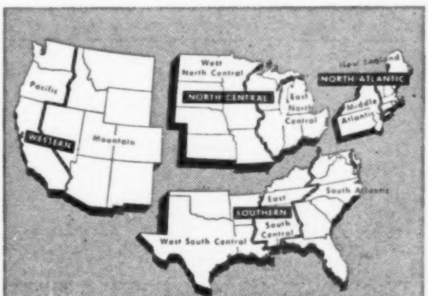

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